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December 3, 2007

BY E-FILING and HAND DELIVERY

The Honorable Mary Pat Thyng
United States Magistrate Judge
United States District Court
844 King Street
Wilmington, DE 19801

Re: *Roquette Freres v. SPI Pharma, Inc. et al.*, C.A. No. 06-540 (***)

Dear Judge Thyng:

Pursuant to paragraph 7 of the Court's September 14, 2007 Scheduling Order (D.I. 111) (modified by the Court on October 19, 2007 (D.I. 127)), the parties submit this joint interim status report.

Matters in Issue

Roquette Freres ("Roquette") filed this action for patent infringement on August 31, 2006, and filed its First Amended Complaint on October 20, 2006, naming as defendants SPI Pharma, Inc. ("SPI") and Drytec Ltd. On June 28, 2007, Roquette filed its Second Amended Complaint, naming as defendants Drytec Ltd., Anhydro U.K. Ltd.,¹ Drytec Contract Processing Ltd. and Anhydro Holding A/S ("the Drytec Entities"), in addition to SPI.

SPI answered and counterclaimed on July 13, 2007, and Roquette answered SPI's counterclaims on July 31, 2007. The Drytec Entities have not yet answered in this case, but on July 10, 2007 filed a joint motion to dismiss for lack of personal jurisdiction. Roquette's answering brief and the Drytec Entities' reply brief were filed July 27 and August 23, 2007, respectively.

On November 2, 2007, Roquette filed a motion for leave to file a two-page supplement to its answering brief to add testimony obtained during Roquette's October 31 deposition of Mr.

¹ Anhydro U.K. Ltd. asserts that this is the new name adopted by Drytec Ltd. on January 1, 2007.

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Rana Kayal, SPI's President. The Drytec Entities and SPI joined in opposition to Roquette's motion.

Both Roquette's motion for leave to supplement its answering brief and the Drytec Entities' underlying motion to dismiss are pending.

Progress of Discovery

Pursuant to the Court's First Amended Scheduling Order, expert reports are due January 25, 2008, rebuttal expert reports are due February 25, 2008, and discovery closes April 17, 2008. As of this date, Roquette and SPI have conducted substantial fact discovery, which is ongoing.

Roquette and SPI have exchanged numerous interrogatory and production requests and each has served, and supplemented, corresponding responses. Pursuant to the Court's Order issued October 19, 2007, Roquette and SPI exchanged their supplemental responses to contention interrogatories on October 29, 2007.

Deposition discovery between Roquette and SPI is also well underway. Roquette has taken the depositions of three SPI witnesses and has commenced a Rule 30(b)(6) deposition. Roquette has informed SPI of its intent to depose three other SPI employees. SPI has informed Roquette that one of the three witnesses, Gary Norman, a British national, is no longer employed by SPI and his whereabouts in England are unknown.

For its part, SPI has taken the depositions of five (5) Roquette employees, each of whom was also designated as Roquette's Rule 30(b)(6) witness as to certain topics. All depositions of Roquette's employees were conducted at the office of Morgan Lewis in the U.S. and were scheduled over a single time-frame for the convenience of both parties. On November 21, 2007, SPI served notices for the deposition of five (5) more Roquette employees.

Discovery between Roquette and the Drytec Entities has been limited to the issue of the Court's jurisdiction in relation to the Drytec Entities' pending motion to dismiss.

SPI Discovery Issues

Roquette has indicated that it will seek a protective order from the Court that these witnesses not be required to travel to the United States for these depositions. SPI opposes such a protective order because it contravenes the language of the Court's Scheduling Order, Par. 3(b), requiring "[a]ny party or representative (officer, director, or managing agent) of a party filing a civil action in this district court...to submit to a deposition at a place designated within this district" and is also in contravention of the Court's Order dated September 14, 2007 which specifically directed Roquette to produce its witnesses for deposition in the United States. Accordingly, SPI seeks the Court's immediate intervention to resolve this issue.

In view of testimony obtained during the depositions of Roquette's witnesses held in mid-November, SPI intends to file a motion for leave to amend SPI's Answer and Counterclaims

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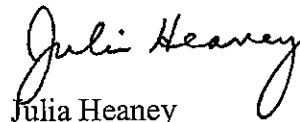
pursuant to Fed. R. Civ. P. 15 to add an affirmative defense and counterclaim of unenforceability of the patent-in-suit based on inequitable conduct. SPI intends to file the motion as soon as possible.

SPI also has requested that Roquette produce documents identified during the depositions but not previously produced in response to SPI's documents requests. In addition, SPI requests production of the French and U.S.-attorneys' patent prosecution files for the Roquette patent-in-suit that have not been produced in response to SPI's document requests. SPI has requested production by mid-December 2007, in time to take the remaining depositions of Roquette's witnesses in January 2008.

Also, SPI requests that Roquette immediately withdraw and produce certain documents from its Log of Privileged Documents based on the principle that Roquette has selectively waived attorney-client privilege by producing some communications involving Mr. Bruno Quenon, Roquette's in-house counsel, while withholding others based on a claim of attorney-client privilege. If Roquette refuses to provide these documents, SPI will move the Court to compel production.

SPI desires prompt resolution of any remaining discovery disputes so that discovery will be completed by April 17, 2008 without further extension.

Respectfully,



Julia Heaney

JH:lm

cc: Dr. Peter Dalleo, Clerk (By e-filing)
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